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## Appropriations Committee

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### HB 1204

**Brief Description:** Creating the select committee on pension policy.

**Sponsors:** Representatives Fromhold, Delvin, Conway, Alexander, Pflug, Anderson, Cooper and Chase; by request of Joint Committee on Pension Policy.

#### Brief Summary of Bill

- Creates the Select Committee on Pension Policy, which assumes the duties of the Joint Committee on Pension Policy to recommend pension policies to the Legislature and appoint and remove the State Actuary.
- The Select Committee on Pension Policy is composed of four members of the Senate, four members of the House of Representatives, four members representing active employees, two members representing retired employees, four members representing employers, and the directors of the Department of Retirement Systems and the Office of Financial Management.

**Hearing Date:** 2/11/03

**Staff:** David Pringle (786-7310).

#### Background:

Prior to 1976, the major state retirement systems were under the oversight of boards of trustees that had such functions as the investment of the retirement funds, hiring the executive director, contracting for actuarial services, and proposing legislation to improve benefits for members and retirees.

In 1976, following a period of rapid increases in pension benefits and costs, the Legislature created the Department of Retirement Systems (DRS), with a director appointed by the Governor, to assume most of the oversight duties of the various retirement boards. The Office of the State Actuary (OSA) was also created in 1976 to provide all retirement system actuarial services for both DRS and the Legislature, including the studies used for setting contribution rates and determining the cost of proposed legislation. The OSA was established as an office in the legislative branch.

In 1981, the State Investment Board (SIB) was created to manage the investment of the assets of the state retirement systems. The SIB has nine voting members and four non-voting members who are investment professionals.

In 1987, the Joint Committee on Pension Policy (JCPP) was created to study pension benefit and funding policies and issues, and to appoint or remove the State Actuary by a two-thirds vote. The JCPP consists of eight members of the Senate and eight members of the House of Representatives, split evenly between the two largest caucuses of each body. The OSA provides staffing to the JCPP.

In 1995, the Employee Retirement Benefits Board (ERBB) was created. The ERBB oversees certain aspects of the Teachers' Retirement System Plan 3, Public Employees' Retirement System Plan 3, School Employees' Retirement System Plan 3 and the state's deferred compensation program.

In 1998, the Pension Funding Council (PFC) was created to adopt the long-term economic assumptions and employer contribution rates for most of the state's retirement systems. The PFC also administers audits of the actuarial analysis produced for the PFC by the State Actuary. The membership of the PFC consists of the chair and ranking minority members of the Senate Ways and Means Committee and the House Appropriations Committee, and the directors of the Office of Financial Management (OFM) and DRS.

In 2002, the voters passed Initiative 790, creating a Law Enforcement Officers' and Fire Fighters' Retirement System Plan 2 (LEOFF 2) board of trustees. The LEOFF 2 Board statute becomes effective on July 1, 2003. The intent of I-790 is in part to replace the functions of the JCPP and the PFC with respect to LEOFF 2.

### **Summary of Bill:**

The JCPP is repealed and its duties are assumed by the Select Committee on Pension Policy. The Select Committee on Pension Policy is composed of four members of the Senate, four members of the House of Representatives, four members representing active employees, two members representing retired employees, four employer representatives, and the directors of the Department of Retirement Systems and the Office of Financial Management.

The eight Select Committee members from the House of Representatives and the Senate are divided evenly between the majority and minority parties of each chamber, and at least three of the four from each chamber must be members of the House Appropriations and Senate Ways and Means committees. The House members are appointed by the Speaker, and the Senate members by the President of the Senate.

The members representing active members, retired members, and employers are appointed by the Governor to staggered three-year terms. No more than two members representing actives, and no more than one member representing retired members, may be from the same retirement system. The retiree appointments must be rotated among the retirement systems to ensure each system is periodically represented.

Like the JCPP, the Select Committee makes recommendations to the Legislature on pension

and pension funding policies, and it appoints or removes the State Actuary by a two-thirds vote.

The statute providing funding of OSA by reimbursement is amended to reflect the current method of funding by appropriation from the DRS expense fund.

**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date:** The bill takes effect ninety days after adjournment of session in which bill is passed.